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Pace & Pace

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# *The* **PACE STUDENT**

*Vol. VI*

*New York, April, 1921*

*No. 5*

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## HORATIO NELSON DRURY

**H**ORATIO NELSON DRURY—lecturer, teacher, friend—concluded a life of educational service on March 7, 1921. Mr. Drury felt ill on the morning of Saturday, February 26, 1921, but remained for his afternoon class in English, in order not to disappoint his students. On Saturday evening, he became seriously ill, and, despite unremitting care upon the part of his physicians, nurses, and the members of his family, died of pneumonia at 11:30, Monday night, March 7, 1921, in the forty-second year of his age.

The shock of Mr. Drury's passing is too great, the time too short, to review, in this issue of *The Pace Student*, the life of this great teacher. We shall make this review, as best we can, in the succeeding issue. We conclude this brief notice with a few sentences from Mr. Drury's own pen—sentences that recall vividly the stature of the friend whom we have lost.

"The demands of the times call for straight thinking and high thinking, for the abnegation of self in the interests of the common weal, for a revived conception of the worth and dignity of labor, for vision and faith and lofty resolve. Economic problems on all sides press for solution, just and enduring. Spiritual values, given fresh meaning and deepened potency by the war, await practical application to the concerns of everyday life. Look where you will, the need for personal service—disinterested, coöperative, purposive service—greet the physical and mental vision of all right-thinking men and women."

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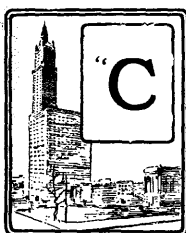
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### Credit and the Measure of a Man

By  
Benjamin  
Aaronson,  
B.S.,  
C.P.A.,  
Accounting  
Faculty,  
Pace  
Institute,  
New  
York



CREDIT is the advancement of values in consideration of a promise to make a return or a money settlement at a later date."

There must be a promise, express or implied. There must be a reasonable expectation and belief that the promise will be kept. Occasionally, value is turned over without expectation or belief that return or payment will be made. In this case, we have the relation, not of creditor and debtor, but of donor and donee.

"Commercial credit," as defined by the New Standard Dictionary, "is an estimate of the ability and disposition of the individuals, firms, or corporations to meet business engagements."

#### BASES OF COMMERCIAL CREDIT

Bradstreet's *Weekly* says, "The bases of commercial credit are:

- "1. A close approximation to character.
- "2. Total net worth, the element of contingent liabilities being considered.
- "3. Other facts bearing on the probability of success or failure being considered."

These other facts include ability, line of business, location, competition, and general business conditions.

#### CHARACTER

Character may be defined as the outward expression of acquired habits. The traits of habits which rank high with the credit man are honesty, courage, industry, thrift, and temperance.

Honesty is the square deal in action. It implies not only respect for the rights of others, but the desire to make good our obligations to them. It implies that we pay our carfare, even if the car conductor walks by without asking for it. Does a customer send in a check for

more than is due? Honesty requires that a check for the excess be refunded at once. Certain restaurants give to their customers, at breakfast time, a bowl of cereal without charge. The customer must ask for the free cereal or he gets none. This custom verges very closely upon sharp practice.

Dishonest practices which are especially frowned upon by the credit man include claiming shortages where there are none, taking discount when one is not entitled to it, taking too much discount, and taking discount when the discount period has elapsed. A particularly disreputable practice which is in vogue is the compromise offer before a petition in bankruptcy is filed. Some fine morning, without previous signs of anything wrong, the credit man receives a letter from X & X, attorneys, to the effect that "their client, Mr. Y, a sterling citizen, is unable to meet his financial obligations as they mature. Mr. Y has seven sick children at home. His wife, who assisted in the store, overbought on unsalable items, while worrying about the sick children. This mistake has tied up all of Mr. Y's ready capital. The street in front of Mr. Y's store has been torn up for many months, so that pedestrians are compelled to detour via the next street. Business conditions are bad, etc., etc.

"Mrs. Y has a rich grandfather who will lend Mr. Y enough to pay his (Y's) creditors twenty-five cents on the dollar, provided the creditors all consent. Otherwise, Mr. Y will be compelled to file a petition in bankruptcy, and the creditors will realize only 5.264 cents on the dollar. Sign page 4 where marked X and return."

In a case of this kind, Mr. Y is sometimes an honest, though unfortunate, debtor. Usually, the best course is to accept the offer, even though the credit man believes Mr. Y guilty of dishonest practices. Before the letter went out to the creditors, all the assets there may have been were, of course, carefully rendered invisible.

Courage is the trait considered next to honesty in importance. It is the quality of boldness. It is the opposite of being easily rebuffed or frightened. The basis of courage is the willingness to take reasonable chances—not, necessarily, gamblers' chances, nor those represented by leading forlorn hopes, but the chances of making mistakes, of getting hurt, physically or financially, and even the chances of failure.

Industry is the capacity for sustained effort. It is the habit of devotion to a useful or productive pursuit. Coupled with ability, it opens the road to advancement and success. It is the opposite of idleness, shiftlessness, carelessness. It is the "go-get-it" habit. It implies zealous attention to detail, hard work, learning new things, and not only being ready for opportunity, but making one's own opportunities.

Temperance means proper restraint and self-

Frederick  
W. Keller,  
C.P.A.



**I**NFLEXIBLE determination—this is the quality which has enabled Frederick W. Keller, C. P. A. (Mass.), a graduate of Pace Institute, Boston, within a comparatively short time to advance from a routine job to a high professional standing as a practising accountant. He has worked hard, and he has always made good, as a reading of this brief sketch of his business career will show.

Mr. Keller has many friends, because back of his good-fellowship and his optimistic outlook upon life lie the solid qualities that one expects to find in the make-up of a man who has wrested success out of unfavorable circumstances. He constantly chooses what is right in preference to what is of doubtful propriety. He keeps searching for a way to overcome obstacles when they arise, and he never gives up till he triumphs over them. These qualities of personality and character have, of course, had much to do with bringing him economic success.

Mr. Keller tells the story of his upward climb more interestingly by far than any biographer could hope to do. His own words follow:

"Having attended the Boston public schools until I was fifteen, I considered that I had finished my education, and that I was ready for work. At that time, my highest ambition was to get a position which would pay me twelve or fifteen dollars a week. After working a short time for very small pay, I served an apprenticeship of two and one-half years in the machine-shop of the Sturtevant Blower Works.

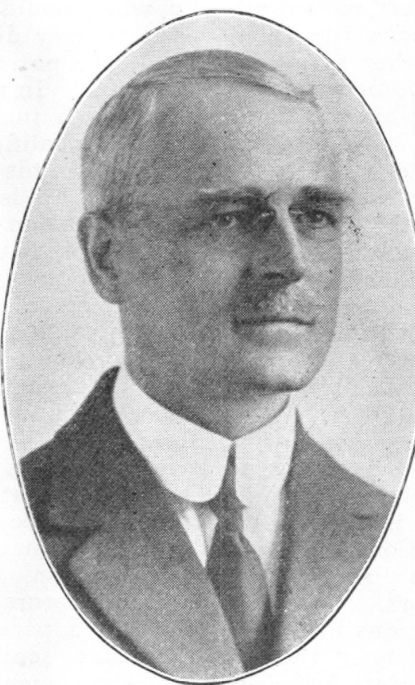
"However, this work did not prove congenial to me; so, after due consideration, I decided to fit myself for a more promising future. Arithmetic always having been my strongest study, I enrolled at the Bryant and Stratton Commercial School, Boston. Upon completion of the Commercial Course at this school, I again went to work, still with only mediocre ambitions. For one year, I was entry clerk in a wholesale jewelry house, this connection being followed by a position as Ledger clerk for three and one-half years in a manufacturing enterprise. The next year was taken up with temporary positions, including a trip abroad.

"Upon returning from Europe, I accepted a position as bookkeeper and credit clerk for the M. Steinert

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& Sons Company, piano dealers, Boston. After filling this position for a year, I was appointed cashier. Having acted as a cashier for a term of years, I was given a chance to become first assistant in the accounting department of Wellington, Sears & Company, a large cotton commission house, of Boston. Since the offer presented larger opportunities, I accepted it. During this period, in addition, I became interested in public accounting, and



Frederick W. Keller, C.P.A.

Boston, Massachusetts

as time permitted, I performed work of this nature.

"This broadened experience created a desire in me to aim for higher goals. Accordingly, I gave the study of Accountancy serious consideration, with the result that I enrolled as a student at Pace Institute, Boston. A diploma was awarded me after I had successfully completed the Course within the prescribed time. Beginning with the fall term after receiving my diploma, I gave instruction at Pace Institute for three successive years. During the summer of 1919, I severed my connection with Well-

ington, Sears & Company, in order to establish myself as a public accountant. In due time, I passed the Massachusetts C.P.A. examinations and was awarded my professional degree.

"Whatever success I am having is not due to a scientific understanding of the various kinds of business, but rather to a knowledge of methods of conducting a business enterprise. Such knowledge as I now possess I received largely from my Accountancy studies at the Pace Institute. I believe that Accountancy gives a mastery of the principles and procedures which show how a business stands and which way it is tending.

"I strongly advise the taking of an Accountancy course, even if the student does not intend to make it a life-work. Such study acts as a brain stimulant, and tends to broaden business ability and vision. Personally, I have found that the study of Accountancy has given me this broad, and, I believe, fundamentally accurate conception of business objectives and methods. I regard my Accountancy course as one of the greatest single investments I have ever made."

The foregoing is but a very modest statement of Mr. Keller's achievements. Modesty, however, is so marked a characteristic of Mr. Keller's that a fulsome article would give an altogether erroneous impression of the kind of man he is. Mr. Keller's views on this subject appear in the following casual remark which he once made: "I would rather have the good fault of being too modest than boast and push to the front in bluff. My qualifications, such as they are, will reveal themselves at the proper time and place."

JAMES A. COUNCILOR, C.P.A., graduate of Pace Institute, Washington, announces his resignation from the Income Tax Unit as chief of the Consolidated Returns Subdivision and his association, in Washington, with Alexander Thompson, Ph.D., under the firm name of Thompson & Councilor. A general practice of accounting and consulting engineering will be conducted, special attention being given to Federal tax questions, and to cases before the United States Government departments.

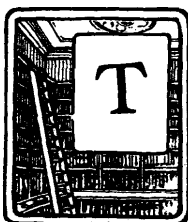
JAMES O. TRIPP, a student in Semester E, Pace Institute, Washington, has joined the technical staff of Beman Thomas & Company, accountants, Columbus, Ohio.

Who's  
Who

Biographical  
Sketches  
of Men of  
Affairs

## Concern- ing Wills

By  
J. Carlisle  
Swaim,  
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Law  
Faculty,  
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New  
York



THE purpose of this article is to point out a few of the essentials to be observed in making a

valid will, leaving to inference the advisability and practicability of such a step.

A will is an instrument disposing of property after the maker's death. There are several kinds. If the testator writes it with his own hand, it is *holographic*; if another's hand writes it, then it is *allographic*; if a man writes his will and seals it in an envelope before witnesses, it is a *mystic will*; if the testator be a soldier, sailor, or mariner, in peril of death in battle or at sea, and orally disposes of his personalty, it is a *nuncupative will*—practically all of the earliest wills were nuncupative; if each of two persons directs, in the same instrument, that the other surviving one receive his property, it is a *joint will*; if a testator, after formally executing his will, later adds or changes a clause, this postscript is called a *codicil*, and it must be executed with the same solemn formality as the original will. Often, husband and wife or brother and sister make *mutual wills*, in each other's favor. If John Doe makes several wills during his life without destroying or revoking them, it is the last one that controls the disposition of his property. If they relate to different property, they are *concurrent wills*, and may be taken together as one will.

Contracts are predicated on the continuance of the maker's life; wills are predicated on the discontinuance of his life. If John Doe, a millionaire, makes a will and dies penniless, his will has no force. It can dispose only of property possessed at death, and such disposition is subject to the claims of creditors.

The general rule is that all persons who have reached the years of discretion have the capacity to make a will. This general principle of capacity is subject to the special exceptions of age, sanity, sex, subject-matter, and the like.

The various states have different laws respecting capacity to make wills. In New York, a male must be eighteen years of age to make a valid will disposing of personal property; he must be at least twenty-one years of age to dispose of realty; whereas, the female is deemed to have sufficient discretion to will away her personalty at sixteen years, and her realty at twenty-one years. The early common law permitted testamentary disposition of personalty at fourteen years for the John Does, and at twelve years for the Jane Does. Thus we see the earlier laws were more favorable to infant's wills than are the present enlightened ones. Those ancient laws deemed twenty-one years requisite for wills relating to real property.

The majority of the states require a testator to be twenty-one years of age before he or she

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can dispose of either personalty or realty, sex being disregarded. New Jersey is one of these states requiring majority as a prerequisite to making any kind of valid will dis-

posing of any kind of property. In the neighboring state of Connecticut, eighteen years endows both males and females with full testamentary capacity. To-day, England, by act of Parliament, requires majority as a qualification for both sexes, in making a will for the disposition of any species of property. So much for age, sex, and subject-matter.

Perhaps the most productive cause of legal contests with regard to wills is the question of sanity and kindred incapacities. A lunatic, an imbecile, an idiot, or any other person who is incapable of appreciating the quality of his act or who should be the natural objects of his testamentary disposition, is not deemed in the law to be possessed of the capacity to make a valid will. In the absence of legal adjudication as to such incapacity, the burden of proving such disqualification is upon the party who asserts it in his own favor in order to overthrow a will. This is a question of fact for the jury to decide upon the evidence presented. On the contrary, it is true that a monomaniac, habitual drunkard, drug addict, suicide, weak-minded, or insane person, subject to "lucid intervals," may make a valid will; but the wills of such persons are more closely scrutinized by the courts, if attacked because of such infirmities. The validity of such wills depends, likewise, upon the decision of the jury, after hearing the evidence pro and con as to whether such testator understood the relation borne to him by those who are to become the objects of his bounty, and who, in the nature of things, should be remembered by him. Obedient and respectful children are the natural objects of a parent's bounty. If such a parent, known as eccentric, feeble-minded, or senile, should will all his property to the Government, forgetful of wife and children, it is quite probable that the will would be held invalid, because of the lack of testamentary capacity by the testator.

The mechanics of the will are the most important in the manner of its execution. The statute of New York is explicit and arbitrary in requiring: First, that it be signed at the end of the will; second, that it be signed or acknowledged before the witnesses; third, that the maker declare or publish it to be his last will and testament; fourth, that at least two such witnesses sign or attest the will; and fifth, that they witness and sign at the maker's request at the end thereof.

Any sort of situation or state of facts that can be construed as a compliance with the aforementioned requirements is a sufficient execution of a will. A dumb man could not orally declare and request the two subscribing witnesses to witness and sign. His desire, otherwise ex-

pressed, would be sufficient. In case the testator was illiterate, or too weak, his mark would be a sufficient subscription; he may, if too weak, have his hand steadied and guided by a witness, if he indicate such a desire; or he may even direct the witness to sign for him because of his weakness. It is important, however, that such inability be manifest, and that the one so signing also sign as an attesting witness.

Where the will was signed by A before the witnesses arrived, and when they had come into his room, he advised them that "there lies my last will which I have signed," the same being folded with the back only visible, it was held that the will was void, as not being executed according to law. This was because the witnesses had not seen his signature when he acknowledged it. They had not seen him execute it by signing, nor did he sign at the time of declaration—one or the other fact was imperative.

The *law reports* contain a case where M signed his will, asking his two employees to sign as witnesses. They, G and R, did so, after seeing him execute it; they knew or supposed they were witnessing his will. The evidence at the trial developed the fact that they had no doubt that such was the case; yet the will was set aside as invalidly executed, because the testator, at the time of signing or acknowledging, did not declare it to be his last will and testament. It is of the highest importance that the specific directions of the statute as to the mode of execution, publication, and witnessing be literally followed. The law is harsh in the passive penalties it imposes for non-compliance. While it is not strictly requisite that the two witnesses be present at the time of the subscription and declaration, yet it is necessary that the signing or acknowledging and declaring be before each witness; that is to say, he may so acknowledge and declare before each separately.

The proper execution of a will requires, in effect, that it be one continuous act—a succession of events, where each necessary act of the testator and witnesses follows upon the other within a reasonable time. The *law reports* tell of a case where the Surrogate's Court refused to allow a will to be probated when it was shown that one witness did not sign the will until two years had passed after the signing by the other witness. There was the lack of proper continuity.

It is not essential to the validity of the will that the witnesses append their addresses, yet they are liable to penalties if they do not do so. The penalty is fifty dollars, recoverable by any person interested in the will. While New York and New Jersey require only two witnesses, yet it is practical wisdom to require three to provide for the death, removal, or refusal of one

of them, also, because some states require three witnesses, and the testator may have property bequeathed or devised situate in such states. Death or removal of a witness does

not invalidate a will, but complicates its proof, which must then be by secondary evidence. A witness who refuses to appear and aid the proponent of a will by his testimony may be subpoenaed and compelled to testify.

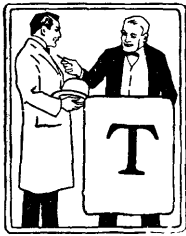
The question naturally arises as to what are the qualifications of a witness to a will. For reasons that are obvious, a person of unsound mind, or lacking general testamentary capacity, should never be allowed to witness a will. Infants may be competent witnesses; they should however, be fourteen years of age, as a presumption that they possess sufficient discretion; an executor named in the will is a credible witness, but a devisee or legatee witnesses at the peril of losing his bequest or devise. As a general rule, the witness should be personally acquainted with the testator, and be satisfied that he has sufficient capacity to make a will. Interested parties, including husband and wife, should not be witnesses. The courts recognize a presumption in favor of the regularity in the execution of a will where it is shown that a lawyer was present at the time of its execution, on the theory that he knew the legal exactions and insisted that they be solemnly and strictly complied with.

Although it is obvious that the testator should know the contents of his will, yet it is not necessary that the witnesses should know any of the contents. Their province is merely to witness his signature and publication, and give evidence of it by signing the attestation clause, which should always succeed the testator's signature and precede the signatures of the witnesses.

Is an attestation clause strictly essential to the validity of the will? The answer is "No." It is, however, a very practical convenience of great presumptive value as to due execution of the instrument, should there otherwise be doubt cast upon its mode of execution, since its recitals, when signed by the witnesses, contain *prima facie* evidence of proper execution. It is for this reason that this clause should always be read to the witnesses prior to their signatures. The *law reports* contain a case in which F's will was allowed probate upon the strength of the fact that the attestation clause was in all things regular, even though the attesting witnesses, W and J, on trial, testified contrary to its recitals. While this is an example of questionable procedure, it illustrates the strong presumptive value of the regular attestation clause, which should never be omitted. The following is a short form of attestation clause, which is recommended as embracing the foregoing principles of proper execution.

On this, the 1st day of January, 1921, the foregoing instrument was duly signed, sealed,

**Question  
and  
Answer  
Department**



THIS Department does not publish answers to all of the questions received, but only to those which we deem to be of general interest to our readers. A communication, in order to receive attention, must contain the name and the address of the person asking the question.

*The*  
**PACE STUDENT**  
*April, 1921*

**Q** I WOULD like to obtain a better idea of how to handle the accounts for small hand tools like hammers, wrenches, files, drills, oilers, etc. As I understand it now, such articles are issued from a "Stores" Account and charged, possibly, to a "Small Tools" Account. Some authors, I believe, recommend this account should at all times be considered and treated purely as an expense account, while others recommend that the tools be inventoried from time to time (once a year) and the difference between the beginning inventory, plus charges for the period, and inventory at the end of the period be considered the expense of these tools for the period.

Will you kindly explain fully what method is usually followed, and the procedure?

**A** With regard to the method of handling small perishable tools, we believe that the method should be largely determined by the size of the plant.

In small plants, where the item of such tools is relatively a small matter, we believe that the cost should be charged directly to the Overhead Account of the plant or department, as the case may be, directly upon purchase, consideration being given to the inventory of tools on hand at the time of closing the books.

In large plants, the theoretical manner of handling small tools is as follows:

(a) Charge all purchases of small tools to a Small Tools Account.

(b) Upon purchase, place all small tools in a tool-room, under the supervision of one man.

(c) Arrange all tools of like nature in bins or racks.

(d) As tools are drawn from the tool-room by various workmen, obtain from each workman a receipt or tool-check, which will be placed in the tool-rack and establishes an accountability against the workman who has drawn the tool.

(e) As tools are returned in good order, the tool-check or receipt will be returned to the workman. If the tool is returned in a non-usable condition, it will either be charged to the workman, or it will be reported on special tool reports by departments, which method will es-

tablish the overhead charge against each department for the item of small tools. The workman or the Department Overhead will be charged

and Small Tools Account will be credited.

We believe the most practical way to handle small tools is to determine the value of the tools consumed, by deducting from the total of the opening inventory of tools, plus purchases, the value of the closing inventory of tools as determined by actual inspection. If it is desired to charge the Overhead accounts at more frequent intervals with the value of tools consumed, fixed monthly charges, which will absorb the annual usage charge for small tools, will be made against the Overhead accounts.

In all events, small tools should be kept under the direct supervision of the foreman of the tool-room, in order to safeguard tools against theft and careless use of same by workmen.

**W**ILL you kindly advise the writer **Q** whether, on the stubs of a stock-certificate book covering original shares issued from November 8, 1915, to November, 1916, it is necessary to affix a five-cent documentary stamp for every share issued during that period?

I am aware that the law provides that a five-cent documentary stamp be put on all original stock issued, but I am anxious to know whether this same law was in force during the above-mentioned period of 1915-1916. I would also like to know if the present law requires a two-cent documentary stamp on all transfer of stock, and whether this law was in effect during the period of November, 1915, to January 1, 1921.

All certificates of stock issued between December 1, 1914, and September 8, 1916, are subject to tax under the Emergency Revenue Act of October 22, 1914; those issued between December 1, 1917, and April 1, 1919, are subject to a tax under the Revenue Act of 1917, and certificates of stock \* \* \* issued by any corporation \* \* \* on or after April 1, 1919, are subject to tax under the Revenue Act of 1918.

The rate of taxation under each of these Acts is the same.

There was no stamp tax upon issues of certificates of stock between September 8, 1916, and December 1, 1917. The stamp tax on sales or transfers of stock accrues at the time of making the sale or agreement to sell or memorandum of sale, or delivery of, or transfer of, the legal title to shares, or certificates of stock, \* \* \* in any corporation, \* \* \*, or of the right to subscribe for, or to receive, such shares or certificates, regardless of the time or manner of the delivery of the certificate \* \* \*.



Students' Questions and Answers (Continued)

WILL you please publish the solution to the following proposition: Corporation A, engaged in the jobbing business, decides to operate retail stores. Corporation B is created for this purpose. The authorized capital stock is \$50,000.00, all of which is to be taken up by Corporation A. The plan for paying for the stock is \$5,000.00 in cash and \$45,000.00 in merchandise, owned by Corporation A. What would be the opening entries for Corporation B? (Note: Corporation B will be charged with \$45,000.00 on A's books, and they (B) will have to pay for the goods.)

A In view of the fact that the wording of this proposition is conflicting, we have assumed that the arrangement contemplates the turning over of \$45,000.00 merchandise with the unpaid liability thereon by Corporation A to Corporation B; that the latter company will then operate with the merchandise thus turned over; and that Corporation A pays \$5,000.00 for stock of Corporation B and subscribes for the balance of stock of Corporation B.

On the basis of this assumption, the Journal entries on the books of both companies follow:

Entries on Books of Corporation A:

CORPORATION B	\$45,000.00	
PURCHASES		\$45,000.00
For merchandise turned over to Corporation B.		
CAPITAL STOCK, CORPORATION B	5,000.00	
CASH		5,000.00
For payment of stock of Corporation B.		
ACCOUNTS PAYABLE	45,000.00	
CORPORATION B		45,000.00
For assumption by Corporation B of \$45,000.00 of accounts payable owing to creditors for \$45,000.00 merchandise turned over to Corporation B.		
SUBSCRIPTION TO CAPITAL STOCK, CORPORATION B	45,000.00	
CORPORATION B SUBSCRIPTION ACCOUNT		45,000.00
For subscription to capital stock of Corporation B.		

When Corporation A turns value over to Corporation B in settlement of its subscription to Corporation B stock, entry will be made as follows:

CORPORATION B SUBSCRIPTION ACCOUNT	\$45,000.00	
CASH (Or other asset)		\$45,000.00
For payment to Corporation B on subscription.		

When Corporation B stock is received, entry will be passed as follows:

CAPITAL STOCK, CORPORATION B	\$45,000.00	
SUBSCRIPTION TO CAPITAL STOCK, CORPORATION B		\$45,000.00
For receipt of Corporation B stock.		

Entries on Books of Corporation B:

CORPORATION B

A corporation organized under the laws of the state of \_\_\_\_\_, with an authorized capital stock of Fifty Thousand Dollars.

————\$50,000.00————

divided into \_\_\_\_\_ shares with a par value of \$\_\_\_\_\_ each, with express and implied powers necessary to carry on the retail business of selling \_\_\_\_\_, said stock being subscribed as follows:

.....  
.....  
.....

PURCHASES	\$45,000.00	
CORPORATION A		\$45,000.00
For merchandise received from Corporation A.		
CASH	5,000.00	
CAPITAL STOCK		5,000.00
For issue of capital stock for cash to Corporation A.		
CORPORATION A	45,000.00	
ACCOUNTS PAYABLE		45,000.00
For liabilities assumed for merchandise taken over from Corporation A.		
CORPORATION A SUBSCRIPTION ACCOUNT	45,000.00	
SUBSCRIPTIONS TO CAPITAL STOCK		45,000.00
For subscription to capital stock by Corporation A.		

When assets are received from Corporation A in settlement of the subscription to Corporation B stock, entry will be passed as follows:

CASH (Or other asset)	\$45,000.00	
CORPORATION A SUBSCRIPTION ACCOUNT		\$45,000.00
For payment of Corporation A subscription.		

When the capital stock is issued to Corporation A, entry will be passed as follows:

SUBSCRIPTION TO CAPITAL STOCK	\$45,000.00	
CAPITAL STOCK		\$45,000.00
For issue of capital stock to Corporation A.		



# The PACE STUDENT

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## Editorial



### Confidence vs. Over- Confidence

**OST** men and women, especially if young and inexperienced, find it hard to draw the line between self-confidence—the virtue, and over-confidence—the fault. Self-confidence we must develop, if we are to win the smiles of opportunity. If, however, our self-confidence passes beyond the bounds set by sound judgment, it becomes a trait that hampers and handicaps us—a trait that must needs be curbed, if not wholly overcome. A slight excess of self-confidence is vastly preferable, though, to a timorous lack of self-confidence. For “nothing ventured, nothing gained,” is a maxim that applies to individual growth, and consequently to individual advancement, wherever there are prizes of accomplishment to be won, and men and women who aspire to their possession.

### “Bleacher” Criticism

**C**AN you stand “bleacher” criticism—the personal, pointed remarks that are designed to upset your poise and make you less efficient and less successful than usual, no matter what you are doing? One of the chief tests of a ball player’s fitness to play in the major leagues is his ability to withstand the fire of unfair criticism from blatherskite fans. The same situation obtains to a measurable degree in all phases of life, for, because of hard work and developed ability, one often becomes conspicuous in the public eye. If, under such circumstances, one can maintain the even tenor of his way, outwardly unruffled and serene, no matter how he boils inwardly, then he is of “major-league” caliber. Pointless criticism from the long-tongued and the serpent-tongued, whose only claim to notice is their ability to

make a noise, is aimed at most of us in varying degree at some time or another of our lives. To withstand such criticism, without permitting it to swerve us aside from giving our best efforts to the attainment of whatever legitimate purpose we have in view, is often one of the best possible tests of our innate fiber and worth.

**W**E must have business rules, of course—rules as to managerial procedure, the disposition of callers, collections, complaints, and the like. Otherwise, chaos, instead of order, would reign; valuable time would be wasted; effort would be greatly duplicated; service to clients and customers would go awry; there would be no such thing as organization morale.

Having rules—which, presumably, have a reason for existence—we must obey them, always as to their spirit, and, so far as possible, as to their letter. But there is such a thing as stupid observance of a rule for the rule’s sake—the kind of observance that never takes into account the fact that there are exceptions to all rules.

The way in which the young employee detects an exception to a rule and handles it often tells more than would anything else about his tact, initiative, and common sense—qualities that every recipe for business or professional success always contains in goodly measure.

**“MAKE** your work play, but don’t make your play work”—here is a kind of semi-paradox which, if heeded, will bring a lot of satisfaction into your life. Making your work play is largely a matter of liking your work, because of your vocational aptitude for it and, consequently, your interest in it. Work interpreted in this way is the greatest blessing that we can hope to enjoy. It is only when we permit envy or jealousy or self-pity to poison our view-point toward what we do, that work becomes drudgery, and life a dreary, cloud-hidden sort of thing.

As regards making our work play, here, too, a word of sane caution is needed. Consider physical exercise. We should take it systematically, for the sake of keeping our body in good trim. But when we carry our athletic activities beyond a certain point, we are likely to find our minds unduly engrossed with them—we make work out of them. The same thing applies to any of the avocations that we take an interest in, because of the relief they give us from our major vocational activities. The thing to do is to carry them all up to the point where they contribute the fullest recreational value to our physical and mental natures, but not a fraction of an inch beyond this stage.

## Observing Business Rules

## Work and Play

# How to Begin a Business Letter

By  
George M.  
Lattimer,  
A.B.



NLESS the man to whom you are writing reads your letter, it makes no difference how good it is. We glance hastily over our morning's mail, and immediately

consign some letters to the wastebasket; others, we either read through at once, or else lay aside to be taken up later.

Two considerations usually determine the disposition of a letter where we are not personally acquainted with the writer. First, comes the general appearance. Stationery of good quality, a carefully arranged heading, and wide margins constitute one consideration. The salutation is also important. Some men instinctively recoil if they receive a letter from a total stranger beginning, "Dear Mr. Lawes," or "My dear Mr. Lawes." Too often, such salutations introduce questionable investment or stock-selling schemes. Until you become acquainted with the recipient of your letter, either personally or through long correspondence, it is better to use the ordinary form of salutation—"Dear Sir," or "Gentlemen." At least, you will not err by being too familiar.

The second and more important consideration is the opening sentence or paragraph. Here is your chance to get your reader's interest. If he is attracted by some striking statement or idea, by some appeal that strikes right to the heart of one of his own business problems, he will probably read one or two paragraphs further. It is not so hard to hold his attention, once you have obtained it. You have only your own carelessness to blame, if he does not read your letter right through to the end. Having established the importance of the general appearance, salutation, and opening sentence as means of attracting the reader's attention, let us move on to a discussion of specific methods by which this first sentence can perform its full duty.

Most business men read their letters with a receptive mind, if they read them at all. Suppose the heading shows that the letter is about a new adding machine. Probably the man who receives it feels sure that he does not want a new adding machine, but at the same time, he is averse, once his attention has been aroused in the opening sentence, to laying the letter down

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without seeing whether there isn't some good idea that he can get from it and apply to his own business. He will not, however, wade through an opening sentence like this:

"We are pleased to enclose circular describing our new Lamon Adding Machine, Model No. 10, which we confidently believe to be the best adding machine value on the market to-day, inasmuch as its price is low and it will do everything that the more expensive machine will."

Or one like this:

"We beg to call your attention to our catalog, going forward to you under separate cover to-day, which describes our new Model No. 10 Lamon Adding Machine, considered by its thousands of satisfied users to be the best adding machine on the market to-day."

Consider now the revisions of these two opening sentences and the resultant effect upon the reader:

"It is possible to do the work in your department with three less adding machines than you are now using. Let me explain:  
Or:

"You may not need new adding-machine equipment just at this time, but when you do, you will undoubtedly be glad to effect a saving of 30 per cent. on any new units that you may purchase. Look at the enclosed folder, describing the new Lamon No. 10 Model, and read through our illustrated catalog, which will reach your desk within two days."

The last two illustrations show perfect comprehension of the business man's needs and desires. They appeal to his self-interest and to his sense of economy. They also save his time. He does not have to read through laboriously an extended exposition of the merits of the machine; he can see at a glance just how it will help him in his own business.

An appeal to the reader's sense of economy, a statement that expresses the point of a letter in a few hard-hitting phrases, an apt quotation, a reference to some current event or item of news—all these make effective opening sentences. Do not, ordinarily, make the first paragraph more than five or six lines long. Keep any detailed discussion for the body of the letter.

A common error at the beginning of letters is the too frequent use of "we" and "our." The writer is so anxious to talk about his house and its product that he neglects the view-point of the reader entirely. What he has to say may be important enough, but he must tie it up definitely with the reader's interest. To do otherwise is fatal. As a rule, prefer specific words and phrases to general statements which have no particular appeal to the reader. Avoid overworked, hackneyed expressions which, through constant use, have lost any power which they may have once possessed. Illustrations of beginnings that are poor because of general statements and hackneyed expressions follow:

"The booklet enclosed illustrates several items taken from our general catalog which should appeal to all factory owners. Prices, as you will note, are rock bottom; and the quality, too, is of the highest."

"Hearing that you are in the market for a new printing-press, we take the liberty of mailing you, under separate cover, our new illustrated catalog."

Now consider the illustration below. No hackneyed expressions are used; the language is specific and to the point; and the reader's interest is aroused immediately:

"If we should send over to your office this morning a calculating machine, put it to work on your accounts, and demonstrate that it would turn out 50 per cent. more work than any other machine in your office, you would say, 'Let that machine stay right here.' Wouldn't you?"

In speaking personally to a man, it is easy to attract his attention by calling his name, or by waving your hand. Your letter, on the other hand, must speak for itself. If the recipient fails to read it, it must remain inarticulate so far as he is concerned. Consider then the value of so arranging your letter, and so carefully constructing the opening sentences, that your message will actually reach the man to whom it is directed.

GEORGE R. HERBST, a member of the pioneer class of the Buffalo School of Accountancy (Pace Courses), has recently severed his connection with Taylor & Crate, of Buffalo, to accept a responsible position as auditor for one of the largest building and loan associations in New York State, with its chief office at Niagara Falls.

control, especially as regards the use of liquor and matters of personal morals. There is a large concern in the Middle West with a capital of a half-million dollars. Business, with it, has been good.

Profits have been large. Instead of investing the profits in the business and reducing the outstanding liabilities, which were considerable, the owner withdrew the profits along with some of the capital, in order to indulge a passion for race-horses and the desire for political preferment. Good times and good business did not last forever. Obligations were not met promptly. Credit favors to the firm are being curtailed. It is becoming almost impossible to stock the various departments of the business properly, because of these credit restrictions. Changes in the personnel of the organization are frequent. Good men will not stay with a concern which is literally compelled to beg for merchandise in order to keep going. The time is drawing near when there will be a change in the ownership and management, if the concern does not go into bankruptcy in the meantime.

Another fundamental of good character is thrift. Thrift means care and prudence in the management of one's finances. It is common sense applied to spending as well as to saving. The thrifty person, having learned how to conserve his own finances, is likely to show the same quality in looking after the finances of a business organization.

#### ABILITY

Ability is the capacity for getting things done right. It is rated among credit men as being next in importance to character. The able customer is wide-awake. He is capable. He is strictly "on the job" at all times. He has a knowledge of general business principles. His methods of procedure are sound. He knows his own business thoroughly. Those qualities which he lacks in himself, he secures by hiring proper assistants. He maintains harmony in his business family. His entire working organization functions smoothly. Every detail of work in his organization is so planned as to be within the responsibility of a definitely assigned person or department. There is no conflict of authority. In case of error, the responsibility is definitely fixed.

The able business man develops reliable sources of general information. His accounting system works well, and he is correctly and quickly informed as to all activities of the business. His judgments are thus based on facts and are usually sound. His place of business is clean and attractive. His stocks are well kept. When prices are on the upward trend, his store is well stocked, and he has many orders placed with his supply houses. When prices are going down, he has just enough merchandise on hand to do business with, and his orders with supply houses are few. He carries enough insurance, and in strong companies. Business is usually good with him. He buys in good quantities, carefully, but not too closely. He pays his bills promptly. He makes few returns and few complaints, and is an all-round desirable business connection.

We also have the inept person in business. He may be the embodiment of honesty, but he is always a bad credit risk. He lacks assurance and good judgment. He makes decisions slowly. He seldom asserts himself without doing something foolish. Things always seem to go wrong with him. The knowledge he has is not correctly applied. He buys too much, or he buys merchandise which sells slowly. His working organization functions poorly. Errors of omission and errors of commission are made. He does not stay in any business or in any location very long. He becomes timid because of lack of success, and his courage, if he had any originally, is hammered out of him by a succession of reverses. If credit is advanced

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to him, eventually he finds himself unable to meet his obligations. His creditors finally hale him into the bankruptcy court. This type of man may be a fine fellow, personally, but as a credit risk, his rating is very low.

#### LINE OF BUSINESS OF THE CUSTOMER

The line of business is a factor in credit-granting. The more safe and conservative the line of business of the customer, all other facts considered, the more desirable the credit risk. A banking company is usually considered a good risk, because bankers are essentially careful and conservative. The line of business of the vendor is also a material factor in credit-granting. If the margin of profit of the vendor concern is large, the terms of credit are easier than if the margin of profit is small. The reason for this fact is that where profits are larger, more chances or risks can be taken without danger to the vendor concern. Again, if the vendor concern has a monopoly in its field, the terms of credit may be liberal, but collections may be close. Or, in the exercise of its monopoly, the vendor concern may insist on close to cash terms. In a highly competitive business, terms of credit may be easier, as an inducement to trade.

#### LOCATION AND COMPETITION

Location and competition are largely relative factors in credit-granting. A customer with ability, situated in a comparatively poor location, or faced with keen competition, will manage to hold his own, make a profit over and above expenses, and save money. If this result is not possible, he will change to a more desirable location, without impairing his capital or his ability to meet obligations.

General business conditions are a very material consideration in granting credit. When business everywhere is good, the merchant with something to sell is in a position to make a living, meet his obligations, and save money, whether he has any particular ability or not. Credit may be granted safely in such times to almost any reputable dealer, the matter of amount being the only question. On the other hand, if general business conditions are bad, or even poor, the credit department is called upon to exercise great care and good judgment.

The first to suspend payment in time of stress are the merchants of questionable character. Unwilling to stand the gaff of hard times, they conceal their assets, and file, or cause to be filed, against them petitions in bankruptcy. The next to fail are the inept and the undercapitalized. These two last-named classes should never be permitted to get on the books as credit customers.

Having gauged the prospect as to character and ability, and being satisfied as to both, the credit man must next decide the limit of credit to be extended. This limit is based on the customer's ability to pay promptly, and the credit man's willingness to "carry" him. If the customer possesses considerable means in relation to total indebtedness, the credit limit may be rather high. If the customer has very little capital, credit favors are not necessarily curtailed, but are merely restricted in amount. This point brings us to the matter of capital, which is another major condition in the granting of credit.

#### CAPITAL

Statements of Assets and Liabilities are usually obtainable from the customer. These statements specify in more or less detail assets and liabilities, as valued by the customer. From these statements, subject to adjustment, the credit man may learn—

1. The relation of current assets to current liabilities.

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2. The relation of fixed (or capital) assets to fixed (or capital) liabilities.

3. The relation of invested capital to total liabilities.

These three relative facts, as shown by the balance sheet, disclose: (a) working capital, ability to meet maturing obligations promptly; (b) reserve financial strength, which may be called upon in emergency; and (c) top-heavy or overloaded condition as to total indebtedness.

(Continued)

#### TOTAL INDEBTEDNESS

A firm with, say, \$30,000.00 net capital, may be in very sound financial condition; for example:

Total Assets	\$35,000.00
Total Liabilities	5,000.00
Net Worth	\$30,000.00

On the other hand, the same amount of invested capital may represent a condition of actual insolvency, as in the following statement:

#### THE BLANK COMPANY

Statement of Assets and Liabilities, as at June 30, 1919

ASSETS		LIABILITIES AND CAPITAL	
<i>Current Assets</i>		<i>Current Liabilities</i>	
Cash.....	\$ 55,000	Notes Payable (to Banks).....	\$125,000
Trade Debtors.....	150,000	Trade Creditors.....	200,000
Merchandise.....	125,000	On deposit by relatives and friends.....	30,000
Total Current Assets.....	\$330,000		\$355,000
<i>Fixed Assets</i>		Net Worth.....	
Fixtures.....	\$ 5,000		30,000
Machinery.....	50,000		
Total Fixed Assets.....	55,000	Total liabilities and Capital.....	\$385,000
Total Assets.....	\$385,000		

In the itemized statement above, a particularly dangerous condition is evident. The total invested capital is less than the investment in machinery, which means that the Blank Company is operating on the money of its creditors. Another dangerous condition is the amount "on deposit by relatives and friends." These usually represent borrowings from these friends and relatives, and in case of financial stress, are usually the items first paid off, before proceedings in bankruptcy are instituted.

#### SOURCES OF INFORMATION

As aids in passing judgment, the credit man has access to various sources of information. These include (1) mercantile agencies; (2) ledger reports; (3) salesmen; (4) personal investigators; (5) interviews with the customer (or prospect).

The mercantile agency furnishes a report which is a short character and financial sketch of the subject, with as much detail and information as it was possible to secure.

A typical report follows:

Jones & Robinson (not inc.)	Detroit, Mich.
John R. Jones	Furnishings Wayne County and
Peter Robinson	Tailoring #1 Woodward Ave.

November 21, 1916

#### Record

The partners are single, aged, respectively, 32 and 28 years, and commenced business March 1, 1910, when they started new at this address, with capital of about \$1,500, and have met with fair success. They were formerly employed by James K. Paul & Co., of this city.

#### Statements

Date	Assets	Liabilities	Net Worth
March 1, 1910	\$1,500	None	\$1,500
March 1, 1912	4,900	\$1,000	3,900
Jan. 1, 1914	7,200	1,500	5,700
Jan. 1, 1916	10,300	2,600	7,700

Under date of October 1, 1916, the following statement purporting to be from inventory of June 30, 1916, was received:

#### ASSETS

Cash Value of Stock on Hand.....	\$7,000.00
Cash in Bank .....	1,200.00
Cash on Hand.....	2,000.00
Fixtures .....	1,500.00
	<u>\$11,700.00</u>

#### LIABILITIES

To Creditors .....	3,400.00
Net Worth .....	<u>\$8,300.00</u>

There is no chattel mortgage on store or fixtures. Annual business amounts to \$40,000. Annual rent, \$1,500. Insurance on merchandise, \$6,000; never suffered a fire loss.

(Unsigned)

#### General Information

A comparison of the above statement with previous statements indicates that the firm is making consistent financial progress. The figures are accepted as a fair index of their condition at this time, subject to allowances for depreciation, etc. The partners are favorably mentioned; they are attentive to their business, which is of fair volume, and appear to be making some headway. Recent investigation in the trade indicates that they are caring for obligations in a satisfactory manner.

From the report, the credit man may learn the following facts: name of subject, whether incorporated or not; reputed character; previous business experience; estimate of ability; location and competition; current financial statement; and previous statements of net worth.

#### WHAT OTHER FIRMS REPORT

Certain of the mercantile agencies report on ledger experiences only, showing how the customer (or prospect) treats his other creditors.

Symbol in first column	Highest credit	Amount of order on hand	Now owing	Amount Past Due	Method of Making Payment	Remarks
C	716	0	689	0	when due	To discounts sold for years
C	61	0	0	0	when due	Sold 1916 to Sept. 1917
C	16	0	0	0	when due	Sold 1 bill
E	70	0	0	0	discounts	Sold in 1917
EE	56	0	0	0	when due	Sold Nov. 1916 to Jan. 1917
EE	63	0	63	0	first order	Sold 1 bill only
F	581	3549	0	0	slow 30 days	Terms regular order for shipment for fall 1917
F	137	0	0	0	slow 30 days	Returns goods unjustly
E New York Dist.					REFUSED	\$600.00 June-1917
J Cincinnati Dist.					Call by Attorney	349.00 Aug-1917

Comparison of the reports in our file shows the manner of payment as follows:

	Payment	Experiences	
June 1916	8	"	85% slow
Sept. 1916	12	"	50% slow
Feb. 1917	14	"	43% slow
June 1917	22	"	64% slow
Oct. 1917	19	"	63% slow

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(Concluded)

These ledger reports confirm, or fail to confirm, the information as to character, ability, and net worth. They may show that a certain firm pays slowly, takes excessive discounts, makes unjust returns, and makes claims for allowances and shortages. On the other hand, the ledger reports may show that the prospective customer pays promptly, makes few returns, makes no claims, and is considered a good customer.

## REPORTS OF SALESMEN

Salesmen reporting on customers can advise as to location of store (suitable or not), courtesy of store clerks, and appearance of the store on inside. Salesmen can also give information as to names of other firms selling the customer. This they learn by reading the labels on the merchandise displayed by the customer. All of this information can be checked up by personal investigation in the market among other supply houses.

## INTERVIEWS

Some credit men are strong believers in personal interviews with the customer. They believe that they

can, in this way, form judgments as to the ability of the customer. Other credit men prefer not to see the customer, but to judge from the assembled facts submitted from the various sources.

## THE MEASURE OF A MAN

One of the best credit risks within the acquaintance of the writer is a certain merchant in a Western city. This man came to America from Russia about thirty-five years ago. He started as a peddler with a pack, selling from door to door. He saved his money, bought a horse and wagon, and loaded it with an assortment of merchandise, which he peddled from door to door in the rural districts. He worked his way out West in this fashion, opened a small store, and did well. He made some investments in land and in timber tracts, invested in mortgages on farm land, continued his store, and became a well-known, respected member of his community. To-day, his record shows no fires, no failures, many and diversified investments, prompt payment of bills of creditors, and an embodiment of the major requirements of credit men—character, ability, and capital.

**The Appraisal and Control of Tangible Capital Assets**  
**Graduation Thesis by N. J. Harris, International Business College, Pace Courses**  
(Concluded)



HAVING attempted to set forth the principles underlying the taking of an appraisal and the preparation of an appraisal report, the reader's attention will now be called to the subject of how the records may be prepared and assets controlled in the books of account.

It will very likely be necessary to alter the chart of accounts to include accounts for each classification in the appraisal report. It may be well to state that the Ledger controls will very closely correspond with those of the appraisal report. An account should be opened in the General Ledger for each of the main asset classifications for each plant, thus making eleven asset accounts for each plant. To these accounts should be posted the total depreciated values of the asset classifications, as shown by the appraisal report.

A separate Plant Ledger should be written up for each plant. Binders of the loose-leaf, extension type are the best for this purpose, and the Ledger sheets used could be printed to suit the needs and wishes of the accountant. It is advisable to build up one Ledger at a time, starting with the index sheets, control sheets, and subcontrol sheets, and finishing with the analysis sheets.

The index sheets can be prepared by cutting an index strip into inch widths and sticking them on the edge of blank Ledger sheets. Eleven of these index sheets would be required for each Ledger—one sheet for each classification of assets. The name or an abbreviation of the classification name should be printed or typewritten on the finger

index made by the pieces of index strip stuck on the sheets.

A control-account sheet would then be placed immediately following each index sheet.

The subcontrol sheets could then be placed following each control sheet. A finger index of the subcontrol sheets could then be prepared by cutting an index strip into three-eighth-inch widths and sticking one piece on the edge of each subcontrol sheet. Allowance could be made for additional subcontrol sheets which it might be necessary to add later, and the index pieces could be so arranged as not to obscure the larger control-sheet indexes. The number of the building represented would be placed on the projection thus made by the index.

It should be understood that a Plant Ledger differs from an ordinary Ledger to the extent of the subcontrol and analysis accounts, which are for the purpose of recording each machine or other asset separately, in much the same way as a stock record is kept of current assets.

With this view in mind, the front side of each control and subcontrol sheet should be used only for recording information, such as the account symbol, classification, building number, name of plant, explanation, cost of reproduction new value, depreciation, depreciated value, or estimated worth and insurable value. The depreciation shown would be the difference between the cost of reproduction new value and the depreciated value, as shown by the appraisal report.

The backs of the sheets would be ruled suitable for posting. As there would be but few credits compared to the charges, the credits could be posted in red ink, and thus the rulings would only need to provide columns for date, reference, details, and amount. A Total column fol-

lowing the Amount column is convenient for showing balances or totals when taking off a balance. If the Ledger sheet is wide enough, two sets of rulings may be made on the same sheet.

On the back of each control sheet would be posted the total amounts or balances shown on the subcontrol sheets. On the backs of the subcontrol sheets would be posted the values of all items listed on the analysis sheets supporting them.

The analysis sheets would have the same form as the control and subcontrol sheets, but would not contain the same information, as a good description of the asset should be written on the front of the sheet, and the depreciated value on the back. It may also be shown on the front of the sheet as at the date of the appraisal, but this is not necessary. A rubber stamp may be used to date each appraisal amount, and each total when a balance is taken off thereafter.

When the Ledgers are written up from the appraisals, they should be proved before any new items are added. This can be done by listing on an adding machine and proving that the totals of the subcontrol sheets equal the control-sheet totals, and then proving that the totals of the analysis-sheet items equal the depreciated values of their respective subcontrol sheets.

After the Ledgers have been proved in balance with the appraisal, and, therefore, in balance with the General Ledger, the new items, additions, and scrapped items should be posted to the proper accounts. New sheets would be inserted for all new items, and additions would be inserted for all new items, and additions would be posted to the analysis sheets for the items to which the additions are made. Care should be taken that all such amounts posted to the anal-

# The Appraisal and Control of Tangible Capital Assets

(Continued)

ysis accounts are also posted to the subcontrol accounts.

This makes it much easier to take off a balance at the end of the month, or whenever required, as it is only necessary to turn the indexed subcontrol sheets and take off the balances on an adding-machine.

A system of account symbols should be used for the purpose of numbering each sheet. A system developed and used by the writer which can be applied universally and which has proved its adaptability will serve to illustrate this point.

The initial letter of the city in which the plant is located was used on all sheets in that Plant Ledger, as "C" for Chicago, "A" for Albany, "A.M." for Anderson Mill, etc. The number of the building was then used to denote the subcontrol account, and the initial letters of the control account used to denote the classifications, as "B" for Buildings, "M" for Machinery, "F.E." for Factory Equipment, etc. The analysis sheets were then numbered in chronological order.

By combining these symbols and placing them in the upper right corner on the front of each sheet, it was no trouble at all to know where every sheet belonged. For example, for a machine in building No. 5, Chicago plant, the symbol would be "C-5-M-1," or for a motor in building No. 3, Albany, the symbol would be "A-3-E.E.-7." The last figure would depend on the number of the sheet given to that particular asset account.

It will be noticed that the subcontrol account symbol is given first, and the control account symbol is placed after it. This has been done merely for the purpose of separating the letters and numerals, thus eliminating the possibility of confusion.

In this brief discussion, no attempt has been made to show how new items and charges to the asset accounts could be located and the desired information secured in regard to the various new items and additions, as that is a subject which would require many pages in itself, and, therefore, no space has been provided for its discussion in this thesis.

**EDITORIAL NOTE.** Mr. Harris's thesis deals with a subject which is beginning to assume considerable importance in connection with books of account, because of the bearing it has upon the question of invested capital in its relation to taxation. The Treasury Department regulations in respect to excess-profits taxes permits the taxpayer to restore to his capital accounts any assets which may have erroneously been charged off to ex-

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pense in preceding periods; and since the excess-profits taxes are based upon the amount of invested capital, many concerns have had appraisals made with a view of restating their tax returns and making claim for refund of taxes erroneously paid. In restoring any such items to capital accounts, however, it is necessary that the specific items shown on the appraisal be traced to the Ledger, and the procedure would involve an analysis of the Ledger accounts and comparison of Ledger-account entries with the items on the appraisal. The appraisal seldom, if ever, will show original cost values, dealing, as Mr. Harris has stated, with cost to reproduce values and with depreciated value based upon current cost to reproduce. The accountant would be required to determine from the records the cost value of any items shown on the appraisal erroneously treated in the accounts, and to make the necessary adjustment in the accounts at cost values.

From the accounting viewpoint, it is, of course, not considered good policy to adjust the asset accounts to conform to a revaluation, as shown in the appraisal, unless the revaluation appraises the assets at cost, less depreciation to the date of the appraisal. If the appraisal values the assets at cost to reproduce, or at depreciated value, based upon cost to reproduce, a surplus would have to be set up on the books, and even though this surplus were shown separately, it would result in a distortion of values in the asset accounts themselves.

With this consideration in mind, Mr. Harris's thesis is valuable, as showing the general methods in use by appraisal organizations in connection with the work they do, and the relation that such an appraisal may bear to the accounts and tax returns.

**H. A. VOLKER and E. J. GESER**, both students in the Buffalo School of Accountancy, are recent additions to the professional staff of **L. K. Watkins, C.P.A.**, Buffalo. This means that the entire staff of this office consists of Pace-trained men.

**UEL D. RANKIN**, a student in Semester C, Pace Institute, Washington, and an instructor in Accountancy at the Institute, has accepted a position with **Lybrand, Ross Brothers & Montgomery**, public accountants and auditors, Philadelphia, Pa.

published, and declared by John Doe, the testator therein named, as and for his last will and testament, in the presence of us, the undersigned, who, thereupon, at his request and in his presence, and in the presence of each other, signed our names as witnesses thereto."

Where there are several sheets of paper comprising the will, it is a wise precaution to insert the number in the attestation clause to prevent fraud by later addition of other sheets. This addition is further rendered impossible when the seal and ribbon is used in a particular manner, so as to prevent a later insertion with cutting the ribbon or breaking the seal. A further usual precaution is to have the testator sign at the end of each page. The seal is no longer treated as an essential. It is immaterial if it be omitted, even though it is recited in the clause of attestation. The completed will should be kept with other valuable papers. A duplicate copy should also be kept elsewhere, in case of fire or malicious destruction by third parties.

So much for the foregoing general principles as to the kinds of wills, the parties capable of making them, and the manner of their making. The principles of interpretation, revocation, etc., involve more than the brief scope of this article permits.

**CAPTAIN J. C. BARRETT**, a graduate of Pace Institute, New York, in 1915, recently returned to New York and re-engaged in the professional practice of Accountancy, after a four years' service abroad as auditor and accountant for the American Red Cross. Captain Barrett's duties took him to France, Italy, England, European Turkey, and Russia, and he has consented to write an account of some of his experiences abroad, which will appear in a later issue of *The Pace Student*.

**ELMER O. STEVENS, C.P.A.** (N.Y.), a graduate of Pace Institute, N. Y., and formerly office manager for the **Alexander Morton Lumber Company**, Jersey City, N. J., was recently appointed auditor for the **Marlin-Rockwell Corporation**, manufacturers of ball bearings, the second largest organization of its kind in the United States. Mr. Stevens's headquarters are in Philadelphia.

**RAYMOND E. FINNEGAN**, a graduate of Pace Institute, Boston, was recently elected vice-president of the **American Fuel Company, Inc.**, 27 School Street, Boston.

## Concerning Wills

(Concluded)

A RECENT exchange of letters between E. W. McCullough, manager of the Fabricated Production Department, Chamber of Commerce of the United States of America, and Homer S. Pace sheds light upon a perplexing accounting point. For that reason, the correspondence follows:

Mr. McCullough's letter to Mr. Pace:

"We are finding at this time considerable interest manifested in the problem of allocating overhead expense when there is, as now, fluctuating volume of production in many lines.

"The claim in some lines that goods are being sold at present production costs no doubt is based upon such costs being loaded with full overhead, and not the proportion that would obtain if the plants were running to normal capacity.

"1. In your dealings with this problem, what is your recommendation?

"2. Do you find the general tendency toward applying *actual* overhead, or distributing it *pro rata* in proportion to volume of production?

"Your reply is desired for information only, and trust we may be favored at your early convenience."

Mr. Pace's letter to Mr. McCullough:

"Your letter of February 11th, in regard to the distribution of overhead expense, is at hand.

"Actual cost must always be recorded, and should be accounted for in respect to product. It is this actual outgo that the individual producer must offset against his income to determine the net result of his operation.

"In order to secure satisfactory operating comparisons, allowances must be made for abnormal conditions which may not apply to results in both of the operating periods that are compared. For such a comparative purpose, a *normal* rather than an *actual* overhead rate may be used. It should be understood, however, that such a deviation from the actual outcome is merely for a special statistical purpose.

"When cost figures are prepared for the purpose of making payments or determining selling prices, it is often necessary, when abnormal operating conditions result in grotesque costs, to assume figures based upon the assumption of normal production. Extreme care must be exercised, however, when departure is made from actual results.

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"In sum total, we must deal in an accounting way with actual cost, and, for certain special purposes, we must arrive at figures based on the assumption of a normal use of capacity. The foregoing statement, I feel, is too brief to be of much value to you, but a full statement of the matter would require pages."

ERVIN W. LEEDER, C.P.A. (N.Y.), a graduate of the Buffalo School of Accountancy (Pace Courses), has, for the past year, been practicing in Buffalo under his own name as a certified public accountant. He has been notably successful.

Recently he gave up public work to become general auditor for the L. R. Steel Companies, with executive offices in Buffalo. These companies, including three affiliated companies in the United States and three in Canada, operate 5 cent to \$1 stores, 5 cent to \$10 stores, candy shops, lingerie, waist and hat shops, and cafeterias, in a large number of cities in the United States and in Canada. Mr. Leeder will also act as credit manager for the L. R. Steel Company, Incorporated, and the L. R. Steel Company, Limited.

E. P. ADAMS, a graduate of Pace Institute, Washington, has joined the technical staff of Haskins & Sells, certified public accountants. Mr. Adams has been assigned to their branch office in Los Angeles, California.

E. L. NOETZEL, a student in Semester E, Pace Institute, Washington, has secured a position on the technical staff of the New York office of Haskins & Sells, certified public accountants.

ERNEST A. CLARK, a former student at Pace Institute, New York (Extension Division), recently passed the C.P.A. examinations for Ohio and was awarded his professional degree.

W. H. MONAHAN, JR., a student at Pace Institute, Washington, has entered the employ of Beman Thomas & Company, accountants, Columbus, Ohio.

*Some people always talk in superlatives—another way of saying that they have a contempt for approximate truth and accuracy.*

THE following paragraphs from a letter written by Homer S. Pace to an Extension student in California will doubtless be of interest to some of the readers of The Pace Student.

"It is difficult for us to advise you as to the exact work that you should follow without a personal interview. I have very meager information in regard to your personality, adaptability, experience, family obligations, and other matters that must be taken into consideration in making a vocational judgment. I can give you a number of general points, however, that may be of value to you.

"There are two distinct fields in which you can use your Accountancy knowledge—public practice and the field of employment with private business organizations. By far the larger field is the use of Accountancy knowledge in private employment, and some of our most successful students are men who have developed through various vocational steps into controllers, auditors, managers, vice-presidents, and the like. Some of them, however, have come to these positions by way of public practice—they have secured work with a firm of public accountants, have secured the C.P.A. degree, and later have accepted private employment at high salaries.

"Your choice between two fields should depend somewhat upon your own individual state of affairs. If you can accept a position as junior accountant at thirty dollars, or thirty-five, or possibly forty dollars a week, and are so circumstanced that you can secure such an opportunity, and if your personality and general education are such as to serve as a basis for professional work, then you might well plan to secure Accountancy practice experience.

"If, on the other hand, you are now earning a larger salary than the one I indicate, if your family situation is such that you can not afford to accept any sacrifice in salary, and if you have more of a natural executive capacity than you have capacity for work on professional jobs in your own person, then it might be better for you to stay in the field of private employment."

SAMUEL E. MOOERS, Semester C, Pace Institute, Washington, has gone to Baltimore with the American Red Cross where he will have charge of the accounts of the Red Cross Institute for the Blind.



**Managerial  
Control  
vs.  
Increased  
Production**

**E**LLERY A. BAKER, head of the Industrial Service Department of the National City Bank, in a recent interview in *Printers' Ink*, says that what this country, in an industrial sense, needs at this moment more than anything else is increased managerial efficiency.

"What the United States—the world, in fact—wants to-day, is not alone increased production. We had that during the war, and we have now to get over it, because that increase was brought about by cost increase. Our necessity now is an increase in production, carrying with it a decrease in cost." Mr. Baker goes on to say that more production is being lost right now through a lack of efficient management than through lack of efficient labor.

It was pretty largely labor's problem to increase production when immediate production was the only thing sought, and when cost was not of primary importance. It is now the manager's problem to keep production up to its present standard, and even to increase it, while at the same time he runs his costs down. Students of Accountancy will be interested in an instance cited by Mr. Baker, in which the wrong sort of managerial control nearly wrecked a business.

"The trouble, in many instances, arises out of the custom, in many large and seemingly well-managed concerns, of taking average cost as the basis of prices, instead of having a proper production cost system, giving actual figures for each separate item. Let me show you how the average cost method works.

"Some time ago, I became interested in a paper-making plant. At that moment, the plant was headed for the rocks, and yet was doing what seemed a remarkably fine business, beating all its competitors on one big line of paper. Here is the secret of the financial difficulty. The plant, let us say, had three machines, Numbers one, two, and three. Number one produced the best seller, the orders for Number one's paper amounting to 40 per cent. of the total orders. Taking all three machines and averaging the production cost on the output of all three, as was the custom of the concern at that time, the plant ought to have been making big money. But the paper from Number one was being sold on the basis of the average production cost of all three machines—and the

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result was a loss of no less than two cents a pound on every pound of Number one's production, 40 per cent. of the total."

Managerial control, properly exercised, would have analyzed this situation, and would have quickly suggested the proper remedy—a cost system that would have given actual figures for each separate item produced. As Mr. Baker goes on to say, "No sales organization, however well organized, can work to its greatest efficiency under such conditions. No advertising can help. In fact, the more successful the advertising and the better the sales organization, the worse it is for the concern, and the sooner comes disaster."

These words coming from an official of one of the greatest banks in the world are significant, showing as they do the attitude now being taken by the great financial institutions toward the managerial methods of their clients.

**WILLIAM A. DOERING**, a graduate of Pace Institute, Boston, since he has completed his course, has been appointed assistant auditor of the Boston Consolidated Gas Company, East Boston Gas Company, Newton & Watertown Gas Light Company, Citizens' Gas Light Company, and Lawrence Building, Inc., and has added to already numerous duties an appointment on the managing committee of the accounting section of the American Gas Association, an organization which has among its membership representatives from four hundred Gas Companies situated throughout the United States.

**ERNEST A. HECKLER**, a graduate of the Newark School of Accountancy (Pace Courses), has been made a permanent member of the technical staff of the Los Angeles office of Price, Waterhouse & Company.

**F. R. INMAN**, a former student of Pace Institute, New York (Extension Division), is successfully engaged in the professional practice of Accountancy at Lompoc, California.

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All things considered, it should be fit for the gods, if you and your friends will be sure to be there to give it a princely air.

**FOR STUDENTS, EX-STUDENTS, GRADUATES**  
Address all mail to Mr. John H. Cooper, Chairman Banquet Committee, The Pace Club, 30 Church Street, New York.

# Knowledge of Accounting Principles, of Economics, Law, Finance, and Management, enables a man to analyze business and economic conditions—to act effectively upon the basis of his analysis—to develop large market value in business or in the professional practice of Accountancy.

For fifteen years, these subjects—basic in the Pace Course in Accountancy and Business Administration—have been taught with painstaking care and thoroughness to thousands of students, both men and women. Many of these students now occupy positions of trust and responsibility, as professional accountants, tax experts, treasurers, controllers, credit managers, cost accountants, and office managers. Training in the Pace Course has laid the basis for increased responsibility and increased income.

This training in Accountancy and Business Administration is provided by Pace Institute in Resident Schools in Boston, New York, and Washington. New class groups in all three schools will be organized during April. Instruction may also be obtained by Extension through the mails. Enrolment may be made in the Extension Course for one month's trial instruction, with the charge for tuition and texts limited to \$7.

Write for a descriptive bulletin (specifying Resident or Extension), and for a complimentary copy of "Making Good," a helpful booklet that tells of men and women, trained in the Pace Course, who have made good in Business and in Accountancy.

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